



Issue Date
September 29, 2000
Audit Case Number
00-AT-123-0002

TO: William C. Apgar, Assistant Secretary for Housing-Federal Housing
Commissioner, H

FROM: Nancy H. Cooper
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Demolition of HUD Real Estate Owned Properties
Chicago, Illinois

This report presents the results of our internal audit of the demolition of U.S. Department of Housing and Urban Development's (HUD) Single Family properties by the City of Chicago, Illinois. HUD's comments on the two findings and associated recommendations are included as Appendix D with excerpts and the Office of Inspector General's (OIG) response incorporated into the Findings and Recommendations section of the report.

HUD did not effectively prevent the costly and unwarranted demolition of HUD-owned properties by the City of Chicago. The City of Chicago has demolished thousands of HUD's single family properties within the past ten years. HUD has not tracked the number and identity of these properties. As a result, the stock of affordable housing in Chicago has been significantly reduced. Further, the FHA mortgage insurance fund suffered significant losses. We estimated losses on a sample of 30 HUD-owned properties demolished by the City and sold as vacant lots between June 1998 and February 2000 between \$446,223 to \$729,142. HUD will continue to lose an estimated \$883,017 to \$1,493,507 per year if it does not stop the City from demolishing HUD-owned properties.

We also found that the City improperly used \$94,920 of Community Development Block Grant funds in 1998 and 1999 to demolish 15 HUD-owned properties.

Please furnish this office a reply within 60 days for each recommendation describing: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued because of the audit. Note that Handbook 2000.06 REV-3 requires management decisions to be reached on all recommendations within 6 months of report issuance. It also provides guidance regarding interim actions and the format and content of your reply.

Management Memorandum

We appreciate the cooperation of your staff and the Management and Marketing (M&M) contractor during the audit. Should you or your staff have any questions, please contact me or Terry Cover, Assistant District Inspector General for Audit, at (404) 331-3369.

Executive Summary

We completed an audit of the demolition of HUD-owned properties by the City of Chicago. We completed the audit as a spin-off of the nationwide internal audit of Federal Housing Administration's Single-Family Property Disposition Program. We reviewed circumstances surrounding the demolition of HUD-owned properties. Our primary objectives were to determine whether HUD and its Management and Marketing (M&M) contractor fulfilled their responsibilities for preserving and protecting HUD-owned properties and had made effective efforts to resolve the issue concerning the demolition of HUD-owned properties within the City of Chicago.

For the past 10 years, the City of Chicago's Buildings Department has been demolishing HUD-owned single family properties. The City of Chicago has aggressively enforced local ordinances concerning condition and security of vacant properties with the end result being the demolition of HUD-owned single family homes. In recent years, the City has primarily used its Fast Track Demolition procedures. Fast Track procedures involve the City inspecting a house and notifying the owners, by sending a letter and by posting a notice on the property, of the local ordinance violations, which can be as minor as a broken window. If the alleged violations are not promptly corrected or if they recur, the City demolishes the property. The City's procedures do not provide a reasonable administrative means of removing the threat of demolition.

Our audit found that HUD had not effectively dealt with Chicago's overly aggressive demolition of vacant HUD properties. While HUD's Chicago Single Family Division has attempted to negotiate a reasonable long-term solution to the problem, their efforts have been unsuccessful. HUD's General Counsel recommended that HUD bring suit against the City of Chicago but HUD management would not authorize it. Private citizens filed a class action lawsuit against the City's Fast Track Demolition Program which HUD declined to join. The class action suit resulted in preliminary approval of a settlement with the City agreeing to pay monetary damages for the demolished properties and waive all liens for its demolition costs.

HUD also lacked accountability for properties demolished by the City of Chicago. Specifically, HUD did not track the number and identity of HUD-owned properties demolished by the City. Also, for an extended period of time, HUD did not send a representative to court hearings concerning the violation notices. As a result, HUD's FHA mortgage insurance fund suffered significant losses. We estimated losses were between \$446,223 to \$729,142 from the City's demolition of 30 HUD-owned single family properties sold as vacant lots between June 1998 and February 2000. HUD will continue to lose an estimated \$883,017 to \$1,493,507 per year if it does not stop the City from demolishing its single family properties. Furthermore, the unwarranted demolition of HUD-owned properties reduced the stock of affordable housing available to meet HUD program objectives.

The City of Chicago improperly used \$94,920 of HUD Community Development Block Grant (CDBG) funds to demolish 15 HUD-owned single family properties in 1998 and 1999. The City also received \$100,114 from HUD FHA in payment of demolition liens it placed against the

demolished properties. According to City officials, they demolished homes found to be

Executive Summary

dangerous and hazardous to the community. However, we found that violation notices and subsequent demolitions were primarily based on minor problems such as broken (unsecured) windows or doors. At least 7 of the 15 properties had significant appraised values, indicating that demolition was not warranted. Appraised values were not available on 5 of the 15 properties. We concluded that the City's demolition of HUD-owned properties did not meet CDBG national objectives to remove slums/blight or to meet urgent needs. The City reported that it met the national objective of benefiting low and moderate income families. However, we concluded that the City did not meet this national objective because in order to do so the City was required to use the cleared land for a purpose that benefited low to moderate income persons. The City had no ownership interest in the properties and no control over how the lots were to be used once sold. Although HUD officials thought the City may have been using CDBG funds to demolish its single family properties, they did not follow up to determine if this was in fact occurring. Consequently, the City's improper use of CDBG funds was not identified and stopped and the stock of affordable housing available to low and moderate income persons was reduced.

We are recommending that HUD: prevent the City of Chicago's unwarranted demolition of HUD owned properties by implementing its Office of Regional Counsel's proposal to initiate a civil action against the City; establish and maintain procedures to track the number and identity of HUD-owned properties and related losses caused by demolitions by Chicago and other cities; discontinue its practice of allowing mortgagees to convey properties to HUD with encumbered titles; notify the City of Chicago that it is prohibited from demolishing HUD-owned properties using CDBG funds without the prior approval of HUD; identify all other HUD-owned properties that have been demolished using CDBG funds and the applicable amounts paid by CPD and FHA; and seek recovery from the City of Chicago of the amount identified in the previous recommendation, including the \$94,920 in CPD funds used to demolish the 15 HUD-owned properties we identified.

FHA's Response to the Draft Report

We provided the draft report to HUD officials on September 5, 2000.

On September 19, 2000, we held an exit conference with HUD officials to discuss the draft audit report. Based on our discussion, we revised certain language in the report. HUD FHA and CPD provided written comments to our findings and recommendations on September 26, 2000. FHA generally agreed with Finding 1 but not with recommendation 1A. FHA stated that recommendations 1B and 1C have been implemented. CPD agreed with Finding 2 and its recommendations. We considered HUD's comments in preparing our final report. The comments are summarized within each finding and included in their entirety as Appendix D.

Table of Contents

Management Memorandum	i
-----------------------	---

Executive Summary	iii
-------------------	-----

Introduction	1
--------------	---

Findings

1 HUD Has Not Effectively Prevented Costly and Unwarranted Demolition of Its Properties by the City of Chicago

5

2 The City of Chicago Improperly Used CDBG Funds to Demolish HUD-Owned Properties

19

Management Controls	25
---------------------	----

Appendices

A Schedule of Unnecessary and Ineligible Costs and Cost Efficiencies

27

B Losses on Demolished Projects

29

C Examples of Properties Targeted for Demolition

31

	D	HUD Comments
37		

	E	Distribution
41		

Abbreviations:

CAPER	Consolidated Annual Performance Evaluation Report
CFR	Code of Federal Regulations
CPD	Community Planning and Development
CDBG	Community Development Block Grant
FHA	Federal Housing Administration
HUD	Department of Housing and Urban Development
LMA	Low to Moderate Income Area
M&M	Management and Marketing
OIG	Office of Inspector General
REO	Real Estate Owned
SAMS	Single Family Acquired Asset Management System

Introduction

Background

FHA's Single Family Mortgage Insurance Program helps low and moderate income families become homeowners by reducing down payments and limiting lender fees. Every year thousands of borrowers default on their FHA-insured loans. When they default, FHA encourages the lenders to work with them to bring their payments current. If they cannot do this, their homes may be sold to third parties, voluntarily conveyed to the lenders, or surrendered to lenders through foreclosure. Once lenders obtain the properties, they generally convey title to the Secretary of HUD in exchange for payment of their insurance claim.

The National Housing Act of 1934 confers on the Secretary the authority to manage, rehabilitate, rent, and dispose of any property acquired under the program. Section 204(g) of the Act governs the management and disposition of the single family properties acquired by FHA. Title 24, Code of Federal Regulations (CFR), part 291 implements this statutory authority. Handbook 4310.5 REV-2, dated May 17, 1994, *Property Disposition Handbook - One to Four Family Properties*, supplements the regulations.

The mission of HUD's Property Disposition Program is to reduce the property inventory in a manner that expands homeownership opportunities, strengthens neighborhoods and communities, and ensures a maximum return to the mortgage insurance fund. HUD has established that its properties will be sold "as-is" without repairs or warranties.

The demolition of HUD properties in the Chicago area has been a long standing problem. The City of Chicago has been demolishing HUD Single Family Real Estate Owned (REO) properties for the past ten years. The City has several local ordinances pertaining to the maintenance of vacant buildings. Under the City's policy, violations of its ordinances result in demolition of buildings found to be vacant and unsecured. The City is concerned that unsecured vacant buildings pose threats to the safety of communities in which they are located. The City is notified of most vacant buildings through reports made by citizens and community groups. The City sends an inspector to examine those buildings for code violations. The City's demolition of vacant buildings is accomplished through two processes. One process, court ordered demolition, involves the City filing a complaint in court against the property owner. The inspector completes an inspection checklist describing the condition of the building and applicable code violations. The City notifies the owner by issuing a court summons requiring him to appear in court. The City and the property owner appear in court to address the violations. The judge hears the case and gives the owner a certain amount of time to correct any problems with the building. If the owner fails to repair the building, then the judge sets the case for trial. Following the trial, the court may either enter a judgment that authorizes the City to demolish the building or order the property owner to repair the building. If the property is demolished, then the City places a lien on the property for the demolition costs.

The second process, the Fast Track Demolition Program, authorizes the City to demolish any building which is primarily residential, three stories or under, and which is “open and vacant” and “an immediate and continuing hazard to the community.” Through the Fast Track demolition program, the City avoids the often time-consuming and costly process of seeking court decrees. The City provides notice to the property owners in three ways: by posting a large sign on the building, by mailing a certified letter to the owners of record, and by publication for three consecutive days in the Chicago Sun-Times. The notice states among other things that the property was found open, vacant and hazardous, that the owner has thirty days to “demolish, repair, or enclose,” and that if the owner does not do so, the City “will take action to eliminate the hazard.” If the owner does not remediate the problem, the City mails a final determination notice to the owner(s) stating that they have determined that the necessary course of action was not taken by the owner(s) and the department intends to exercise its power to demolish the building. An owner may seek a court hearing and serve a copy of the complaint on the mayor to stop the Fast Track demolition process until the court determines what action is necessary to remedy the hazard and issues an order authorizing the City to do so. Following the demolition of a building, the City may file a notice of lien against the property for the cost of the demolition.

HUD has not been the only victim of the City’s aggressive demolition program. Several persons in Chicago who had fallen victim to the City’s Fast Track Program initiated a class action lawsuit against the City. These individuals alleged that the City violated the United States Constitution by demolishing certain residential properties without adequate notice or opportunity to be heard prior to the demolition. They further alleged that the City violated the federal civil rights law, 42 U.S.C. 1983, by depriving individuals of their property without due process of law.

On April 7, 2000, the judge of the U.S. District Court for the Northern District of Illinois granted preliminary approval of a proposed settlement. The principal terms of the settlement entitles each eligible member of the class action to: (1) a specific monetary award of damages based on the type of structure demolished; and (2) a waiver of any lien related to the demolition costs on the property.

HUD’s Regional Office of General Counsel requested that HUD Headquarters Counsel grant authority to initiate litigation against the City of Chicago to stop the fast track demolition of HUD properties. However, HUD management would not authorize such legal action.

Audit objectives

The audit objectives were to determine whether HUD and its Management and Marketing (M&M) contractor fulfilled their responsibilities for preserving and protecting HUD-owned properties from unwarranted demolition and had made effective efforts to resolve the issue concerning the demolition of HUD-owned properties within the City of Chicago.

Audit Scope and Methodology

The audit was conducted primarily at HUD offices in Chicago, Illinois. We also visited Golden Feather Realty Services, Inc., M&M contractor for the area, and the City of Chicago's Department of Buildings. We obtained an understanding of demolition activities and management controls over the preservation and protection of HUD-owned properties in the City of Chicago. We also assessed HUD's efforts to rectify the situation. Our audit was performed from February through June 2000 and primarily covered activities from October 1, 1999, through July 30, 2000. However, we reviewed activity in other periods as necessary.

To meet our objectives, we:

- Interviewed the M&M contractor responsible for managing the FHA-owned properties in the City of Chicago and its surrounding area.
- Assessed the adequacy and extent of HUD's efforts to stop the demolition of its properties through interviews with responsible HUD officials, City officials and a local community activist.
- Reviewed 34 property case files judgmentally selected from the M&M contractor's inventory lists to determine when the demolition process began (i.e., before or after property was conveyed to HUD) and the reason(s) why the City demolished the property. We selected our sample from the most current available data because HUD had not tracked the number and identity of HUD-owned properties demolished by the City of Chicago. As a result, we could not determine the actual universe.
- Assessed the propriety of property demolitions and resulting costs incurred by HUD and FHA.
- Reviewed information at the Chicago Office of Community Planning and Development (CPD) to determine whether the City of Chicago used CDBG funds to demolish HUD properties.

We also conducted inspections of 10 FHA-owned properties located within the city of Chicago. Of these 10 properties, 2 were vacant lots as a result of demolition by the City of Chicago. The remaining eight properties were still intact at the time of our inspection but were threatened by violation notices and Fast Track demolition.

We conducted our audit in accordance with generally accepted government auditing standards.

HUD Has Not Effectively Prevented Costly and Unwarranted Demolitions of Properties by the City of Chicago

HUD has not effectively dealt with the City of Chicago's aggressive Fast Track demolition of vacant HUD-owned properties. For the past 10 years, the Chicago Buildings Department has been demolishing HUD-owned single family properties because the properties were found vacant and unsecured. HUD's Chicago Single Family Division has attempted to negotiate a reasonable long-term solution to the problem but the City of Chicago has continued to demolish properties. HUD's Regional Counsel has recommended that HUD bring suit against Chicago but HUD management would not authorize that solution. HUD has not tracked the number and identity of HUD-owned properties demolished by the City. For the 10-year period, available data indicates HUD has lost thousands of its single family properties. We estimated losses ranging from \$446,223 to \$729,142 from the decline in property value and demolition liens on 30 properties demolished by the City and sold as vacant lots between June 1998 and February 2000. Based on the limited available data, we also estimate that HUD will continue to lose between \$883,017 and \$1,493,507 per year if it does not stop the City from demolishing HUD-owned properties. Additionally, HUD costs have been increased by about \$151,454 per year for two attorneys hired to represent HUD in court on each individual demolition notice it receives from the City. The unwarranted demolition of HUD-owned homes also reduces the housing stock available in Chicago to meet HUD program objectives.

Criteria

The National Housing Act of 1934 confers on the Secretary the authority to manage, rehabilitate, rent, and dispose of any property acquired under the program. Section 204(g) of the Act governs the management and disposition of single family properties acquired by FHA.

Title 24, Code of Federal Regulations (CFR), Part 291, effective April 1, 1999, states the purpose of the Single Family Property Disposition Program is to reduce the inventory of acquired properties in a manner that expands homeownership opportunities, strengthens neighborhoods and communities, and ensures a maximum return to the mortgage insurance fund.

HUD's Associate Field Counsel advised that the City could not legally conduct its Fast Track Demolition Program with respect to HUD-owned properties because the City's local ordinances conflict with the supremacy clause of the U.S. Constitution. The City's enforcement actions violated the

HUD efforts to work with the City have not been successful

Supremacy Clause by seriously interfering with HUD's Property Disposition Program. The Supremacy Clause has been consistently interpreted to invalidate state or local laws which actually conflict with federal law. State and local law may also be preempted by federal regulations. Thus, federal agency regulations issued within the scope of congressionally delegated authority may preempt state and local law. The City's local ordinances conflict with the National Housing Act and HUD's regulations for management of HUD-owned properties.

HUD officials have attempted to work with City officials to prevent the demolition of HUD properties, but their efforts have been unsuccessful. HUD officials have met with City officials on several occasions in efforts to resolve the matter, but no agreement was ever reached. The City has refused to alter its Fast Track process as applied to HUD properties. The Director of Atlanta's Homeownership Center said they also looked into installing a security system consisting of metal window and door coverings to ensure that Chicago properties remain secured, but determined it was too costly.

The City of Chicago local ordinances require that vacant structures must be enclosed and secured, have a certain sign posted, and be maintained in a secured and closed condition. The City further requires that property owners have a watchman on duty continuously during certain hours of every day. The City uses its Fast Track Demolition Program to enforce its local ordinances. Under the Fast Track Program, the City demolishes properties within a relatively short period of time and without a reasonable process for property owners to correct deficiencies and obtain a confirmation from the City that the corrections were sufficient to stop the Fast Track process. The Fast Track procedure starts when the City inspects a property and posts a notice of violation on the property. The City then notifies the owner by letter. However, the posted notice and letter are vague as to the specific violation, needed corrective action, and the fact that demolition will result. The notification letter from the City states that the owner may file an objection in court, but provides no administrative remedy to remove the threat of demolition.

According to the HUD Government Technical Representative for Illinois, problems between HUD and the City escalated when InTown Management Group, the former M&M contractor, failed to adequately secure and protect HUD-owned properties. Since Golden Feather Realty Services became the M&M contractor in August 1999, it has made extra efforts to prevent demolition of HUD properties. Golden Feather set up a webpage for the City's use in identifying HUD-owned properties and notifying Golden Feather whenever it found violations on a HUD property. This was done to facilitate prompt correction of violations of concern to the City such as an unsecured property. Although the City seemed to agree to inform HUD when they were targeting a HUD-owned property, the City refused to commit to any change in its Fast Track demolition process on HUD-owned properties. Golden Feather also worked with the City's Police Department to identify Chicago's high crime areas designated as "hot zones." Golden Feather inspected properties in the "hot zones" at least twice a week, or eight times a month, although its M&M contract with HUD only required inspections twice a month. Furthermore, when a court date was set, a Golden Feather representative generally attended. The court appearances were not a condition of the contract with HUD. Despite these efforts, the City continued to demolish HUD properties.

According to the HUD Chicago Regional Counsel, HUD did not have the staff to attend all court hearings. Therefore, for an extended time period, HUD only attended court hearings when there was a prospective purchaser on the property. In March 2000, HUD's General Counsel hired two temporary attorneys, appointed for a 4-year period, solely to work the demolition cases. According to the attorneys, they have been successful in obtaining continuances and stopping the City of Chicago from using its Fast Track Program to demolish HUD properties. The attorneys stated that they file objections each time the City files a fast track notice, which requires the City to follow certain due process procedures before it can demolish a property. This course of action serves to prolong the time it takes the City to demolish a property. It also gives the M&M contractor additional time to sell the property before the City demolishes it. Thus, HUD has made progress

HUD lacked accountability
for its demolished
properties

delaying and preventing the demolition of its properties. However, this course of action does not eliminate the problem and will require HUD to employ the two temporary attorneys indefinitely at a cost of about \$151,454 per year for salaries and benefits.

Available records indicate that HUD has lost thousands of homes to demolition by the City over the past 10 years. However, HUD has not kept track of the number and identity of properties demolished by the City and the loss associated with each. As a result, HUD does not know how many HUD-owned properties have been demolished by the City nor the extent of losses to the mortgage insurance fund. Without this information, HUD cannot fully assess its REO performance nor readily determine the impact demolitions have had on the Single Family Program in Chicago.

Also, HUD did not maintain all pertinent documentation applicable to the demolished properties such as fast track notices and court documents (i.e., summons and complaints) served by the City of Chicago. Neither HUD nor its contractor had the notices or court documents for 15 of the 34 properties we reviewed. Therefore, we had to obtain whatever documentation was available from the City's records and the Cook County Recorder of Deed's Office. In March 2000, Chicago's Office of General Counsel hired two temporary attorneys to handle the demolition cases and attend court hearings. The attorneys now receive all court orders, notices, and litigation documents from the courts and maintain such information for each case.

Demolition of
marketable properties
is a costly problem

City officials stated they have demolished HUD properties because of safety and security issues. We judgmentally selected and reviewed files for 34 HUD-owned properties which consisted of 21 properties that had been demolished and sold, 10 that were targeted for demolition and 3 that had been demolished but not sold. For purposes of estimating losses to HUD, we considered the 21 properties that had been demolished and sold and 9 other HUD-owned properties that were demolished by the City (see Finding 2). We estimated that demolition of the 30 properties, all sold as vacant lots between June 1998 and

February 2000 caused HUD to lose between \$446,223 and \$729,142 (see Appendix B). Of the 24 that had been demolished, the City issued fast track notices on 16

properties and judicial complaints on 3 properties. No documentation was available on the remaining five properties. The fast track notices contain virtually identical and apparently standardized language citing the properties as vacant, unsecured and a hazard to the community. The 16 notices did not provide any information on hazardous conditions specific or unique to the individual 16 properties. The three judicial complaint notices cited various code violations such as: (1) failure to repair or replace defective or missing door hardware; (2) failure to repair holes and cracks in interior walls or ceilings; (3) failure to remove accumulation of refuse and debris and keep premises clean; (4) failure to remove loose, peeling, or flaking paint; (5) failure to replace broken, missing or defective window panes; (6) failure to rebuild or replace dilapidated and dangerous porch (one property); and (7) failure to exterminate insects and roaches and keep dwelling insect and roach free. Primarily, HUD had not been able to prevent minor deficiencies such as unsecured doors and windows. The property deficiencies cited by the City of Chicago were not significant safety or structural hazards and did not warrant demolition of the properties. According to a HUD Senior Community Builder, properties torn down by the City were structurally sound and mostly brick. Also, Golden Feather's Vice President stated the City of Chicago wanted aesthetic repairs (e.g. painting the exterior of the house) made when HUD's policy is to sell the properties "as-is". He also stated that the City targeted brick homes. We performed limited inspections of eight additional properties that were targeted for demolition. The eight properties all appeared to be adequately secured and in marketable condition (see Appendix C).

In December 1998, HUD real estate asset managers identified a total of 203 HUD properties that had been demolished by the City of Chicago between 1996 and 1998, an average of 68 properties per year. Golden Feather's Vice President stated that approximately 140 properties were demolished under InTown Management

Group and 150 properties under Golden Feather. Considering InTown's tenure of 6 months (March 1999 to September 1999), 17 properties, on average, were demolished per month. From October 1999 to July 2000 Golden Feather was responsible for a total of 1,995 properties. Of the 1,995 properties, 191 properties, or 10 percent, were vacant lots. Based on the data from Golden Feather, we estimated the City of Chicago demolished 34 HUD-owned properties during Golden Feather's 10-month tenure. This is an average of 3.4 properties per month; 41 annually. A knowledgeable HUD official told us that HUD had not demolished any properties in Chicago in recent years. HUD guidelines allow for acceptance of offers as low as 50 percent of a property's appraised value if the property has been listed for 151 to 180 days. From October 1999 to May 2000 HUD sold properties in Area 1 of the Atlanta Homeownership Center, which includes Chicago, Illinois, at an average 93 percent of appraised value. Considering these facts, we estimate HUD's future annual losses from property demolition will range from \$883,017 to \$1,493,507 if they do not resolve the demolition problem. The following table depicts the estimate.

Calculation of Estimated Annual Losses

Properties Demolished by the City of Chicago between 10/1/99 to 07/30/00	34
Average Number of Properties Demolished Annually ¹	41
Average Current Loss Per Property ²	\$21,537 to \$36,427
Estimated Future Annual Losses	\$883,017 to \$1,493,507

HUD did not pursue mortgagees conveying unmarketable titles

HUD did not take action against mortgagees conveying properties without clear titles. Of the 34 property files we reviewed, 14 properties had code violations at the time the mortgagee conveyed the property to HUD. For 10 of the 34 properties, the file had no evidence that the mortgagee

¹ This amount was calculated by taking an average of the total number of properties demolished within the ten month period from October 1999 to July 2000. This monthly average was then converted to an annual average.

² See Appendix B.

had notified HUD of the code violation notices. Even though HUD later found the property titles had been encumbered with code violation notices or demolition liens, the files did not show that HUD took appropriate action against the mortgagees. HUD's acceptance of conveyances from mortgagees when property titles were encumbered by City code violations and when properties had already been demolished increased HUD's real and potential losses on the properties.

Mortgagee Letter 97-31, dated July 17, 1997, subject: 1997 Preservation and Protection/Post Endorsement Guidelines and Fee Schedules, states demolition notices may qualify as clouds on the title, so mortgagees must notify HUD of any and all notices and resolve matters with HUD prior to conveyance and application for insurance benefits. It also states that mortgagees must forward a copy of any code violation notices and related documents to the local HUD office. HUD regulations require mortgagees to provide HUD with good marketable title at time of conveyance (24 CFR 203.359 and 203.366).

Title 24 CFR 203.366 states if the title to the property conveyed by the mortgagee to the Secretary is not good and marketable, the mortgagee must correct any title defect within 60 days after receiving notice from the Secretary. If the defect is not corrected within 60 days, or such further time as the Secretary approves in writing, the mortgagee must reimburse the Secretary for HUD's costs of holding the property, accruing on a daily basis, and interest on the amount of the insurance benefits paid to the mortgagee. If the title is not corrected within a reasonable time, as determined by HUD, the Secretary will reconvey the property to the mortgagee and the mortgagee must reimburse the Secretary for all expenses incurred in connection with acquiring and reconveying the property.

We reviewed 34 property files and found that HUD accepted conveyance of four vacant lots. For one of the lots, there was no documentation to evidence whether the mortgagee notified HUD of the demolition proceedings. HUD was notified before conveyance of one vacant lot and at the time of conveyance on the remaining two lots. In the case where HUD was notified before conveyance, file documentation indicated that the mortgagee worked with

HUD staff on the code violation issues and informed HUD of the approaching demolition. However, HUD staff did not respond in a timely manner. Thus, it appeared that demolition could have been avoided had HUD timely responded to the numerous requests made by the mortgagee. In all four cases, HUD paid the full mortgage insurance claims.

In another case, HUD accepted conveyance of a fire-damaged property. The mortgagee conveyed the property to HUD on January 14, 1997. HUD, in an April 17, 1997, letter, notified the mortgagee of its intent to reconvey the property because of its poor condition. HUD required written documentation that the poor property conditions had been corrected within 90 days. We found no such written documentation from the mortgagee in the file. However, HUD paid the final mortgage insurance claim of \$77,882 on August 8, 1997. The City of Chicago demolished the property in October 1998. HUD later sold the vacant lot in January 2000 at a net loss of \$31,955.

HUD's Office of Regional Counsel in Chicago, in a March 21, 1997, memorandum, advised HUD's Director of Single Family to prohibit staff from accepting assignment of properties without checking for outstanding legal actions. If none existed, they advised that an inspection be done of the exterior and interior before accepting the property. Further, HUD's Office of Counsel recommended that HUD change its guidelines to place more responsibility on the mortgagees. They suggested reconveyance of title to lenders in cases where the facts supported a finding that it was feasible and appropriate to do so. HUD issued a mortgagee letter (97-31) which required the mortgagee to: (1) forward copies of any and all notices pertaining to demolition orders and notices of demolition hearings to the local HUD office or HUD's agent immediately upon discovery; and (2) resolve matters with HUD prior to conveyance and application for insurance benefits.

HUD regional counsel recommended civil action

In March 1999, HUD's Office of Regional Counsel requested that HUD's General Counsel authorize them to request the Department of Justice to initiate a civil action against the City if the following circumstances occurred: (1) the City issues a notice signifying an intention to

initiate a demolition proceeding against a HUD property; and (2) after final negotiations with the City, the City refuses to make a firm written commitment to refrain from such demolition proceedings. Regional Counsel held the position that the City could not legally conduct its Fast Track Demolition Program with respect to HUD-owned properties because the City's local ordinances conflicted with the supremacy clause. The Supremacy Clause provides:

“This Constitution, and the Laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, any thing in the Constitution or Laws of any State to the contrary notwithstanding.

In response to Regional Counsel's request, Headquarters attorneys discussed the matter with FHA's Deputy Assistant Secretary for Single Family Insured Housing, who emphasized not instituting a lawsuit against the City. Purportedly, Headquarters attorneys were working with attorneys in HUD's regional offices to explore alternatives to litigation in order to address the situation. To date, HUD has not effectuated any alternative action to cause the City of Chicago to cease fast track demolition proceedings on HUD-owned properties.

In the opinion of HUD's Office of Regional Counsel, the only way to resolve the problem once and for all would be to initiate litigation against the City of Chicago.

Court cases pertaining to demolition of HUD properties

HUD could have possibly recovered some of its losses and stopped further demolitions if it had elected to be part of a class action lawsuit against the City of Chicago. In November 1999, HUD was notified that a class action lawsuit was pending against the City of Chicago regarding its demolition of residential properties. However, HUD opted not to join the class action litigation. The lawsuit contended that the City of Chicago violated civil rights laws by depriving the plaintiffs of their property without due process of law. The plaintiffs further alleged that

the City violated the United States Constitution by demolishing certain residential properties without adequate notice or opportunity to be heard prior to the demolition. On April 7, 2000, the judge in the U.S. District Court for the Northern District of Illinois granted preliminary approval of a proposed settlement. The principal terms of the settlement entitle eligible members to damages for property losses and waivers of existing and future liens by the City for demolition costs. In April 1997, the aforementioned judge conducted an expedited hearing on the preliminary injunction and, later, entered a temporary restraining order against the City banning demolition of a property under the Fast Track program prior to resolution of a lawsuit. The U.S. District Judge stated in his ruling that the City had overstepped its boundaries by razing buildings that were good candidates for renovation or in the process of being rehabilitated. The judge further ruled that the City also failed to properly notify plaintiffs in the lawsuit that prompted the injunction. Furthermore, in a July 31, 1997, court hearing, the same judge ruled that while the ordinance the City uses to implement its Fast Track Demolition program may not be invalid in and of itself, it is certainly possible that the standard procedures the City uses to implement the ordinance may violate due process.

FHA comments

FHA's reply highlighted the actions they have taken to prevent demolitions and disagreed with our recommendation to sue the city if it declines to make a firm written commitment to refrain from demolishing HUD-owned single-family properties. FHA stated Housing staff in the Atlanta Homeownership Center began a dialogue with the City of Chicago in September 1998 to develop a more effective approach to stop the City from demolishing HUD homes. FHA said after intensive discussions with the City, agreements were reached as to how the Department, the M&M contractor, and the City would better foster relations and preserve housing. FHA stated Housing has continued to meet with the Chicago City staff and have developed procedures to address the needs of the City and HUD. Specifically, HUD hired two attorneys to address

code violations and determine HUD's interest on all complaints received. Also, the M&M contractor increased the number of inspections in areas experiencing increased vandalism. FHA contends this improved service has resulted in the City inspectors contacting the M&M contractor when properties are found with problems, before issuing a citation. Also, HUD attorneys have built credibility with the court resulting in an increase in the number of proposed demolition cases being dismissed. FHA believes that the full implementation of the above procedures precludes the necessity, at this time, to pursue suit against the City of Chicago.

As for Recommendation 1B, FHA stated that it had already established a tracking system for properties lost through demolition by local governments. FHA said the Office of General Counsel in Chicago and the M&M contractors maintain lists of all pending cases and the outcome of those cases. In reference to Recommendation 1C, FHA stated Housing determined that it would honor mortgagee claims in cases where the mortgagee has addressed the physical conditions of the property. FHA said HUD's M&M contractors are closely monitoring property conditions and are reconveying properties that evidence the mortgagee has not taken steps to protect and preserve the property.

OIG response

Although HUD has met with City officials to discuss the demolition issues and develop a more effective approach to stop the demolitions, their efforts have proven to be ineffective. The demolition of HUD-owned properties is a historical problem. As stated in the finding, HUD has met with City officials on several occasions in efforts to resolve the matter, but to no avail. The City has refused to alter its fast track process. While HUD contends that agreements have been reached as to how the Department, the M&M contractor, and the City will better foster relations and preserve housing, we found that the problem has not been completely resolved. We recognize there has been improvement since the two temporary attorneys were hired. The improvement is evidenced by an increase in the number of demolition cases being dismissed by the city.

court. However, the two attorneys are temporary employees and they must file objections in court each time a fast track notice is received to remove the threat of demolition. We have seen no evidence that the number of fast track notices issued by the city on HUD-owned properties has declined. The Case Management Activity and Disposition Report, developed and maintained by the two attorneys, showed three HUD properties were demolished in August 2000. According to this report, the City of Chicago had demolished 13 HUD owned properties between March and August 2000, after the attorneys were hired. Furthermore, there are 79 cases still in litigation.

At the time of our review, HUD had not established a tracking system to identify properties lost through demolition by Chicago and other local governments. As stated in the report, we could not determine the actual universe of demolished properties because HUD had not tracked the number and identity of HUD-owned properties demolished by the City of Chicago. HUD needs to provide us with the directive or guidance it has issued describing the tracking system and M&M contractor responsibilities for maintaining and reporting the relevant information on property demolitions.

In cases where the circumstances do not warrant dishonoring the mortgagee's claim, we agree HUD should accept conveyance to facilitate resale of the property. However, where the facts evidence mortgagee neglect, HUD should reconvey the properties. In all cases, HUD should maintain documentation in its files to substantiate its decisions. HUD needs to provide us with evidence supporting its statement that neglected properties are now being reconveyed to mortgagees and describe how records are being maintained.

Recommendations

We recommend

- 1A. HUD Headquarters officials should prevent the City of Chicago's unwarranted demolition of HUD owned properties. HUD should implement its Office of General Counsel's proposal to request the Department of Justice to initiate a civil action against the City if the following circumstances occur:

The City issues a notice signifying an intention to initiate demolition proceedings against a HUD REO property; and, after final negotiations with the City, the City refuses to make a firm written commitment to refrain from demolition proceedings.

- 1B. HUD should establish and maintain procedures to track the number and identity of HUD-owned properties and related losses caused by demolitions by the City of Chicago or any other state or local government.
- 1C. HUD should discontinue its practice of allowing mortgagees to convey properties to HUD with encumbered titles. HUD should reconvey titles to lenders in cases where the facts support a finding that it is feasible and appropriate to do so.

(This Page Left Blank Intentionally)

The City of Chicago Improperly Used CDBG Funds to Demolish HUD-Owned Properties

The City of Chicago improperly used \$94,920 in HUD CDBG funds to demolish 15 HUD Single Family properties in 1998 and 1999. The City later received \$100,114 from FHA in payment of the demolition liens the City placed against the demolished properties. The City's Fast Track Demolition Program demolished HUD single family properties having significant appraised values and based on minor violations, primarily broken (unsecured) doors or windows. Yet, the City contended the demolitions benefited low to moderate income areas and that the properties were hazards to health and/or safety. Although HUD officials thought that the City may have been using CDBG funds to demolish HUD-owned properties, they did not follow up to determine whether this was in fact occurring. Consequently, the City of Chicago's improper use of HUD funds to demolish HUD-owned properties had not been stopped. In addition, the housing stock was reduced, thus limiting the availability of affordable housing to low and moderate income persons.

Criteria

Title 24 CFR 570.200 (a)(2), effective April 1, 1998, states grant recipients must certify that their projected use of funds has been developed so as to give maximum feasible priority to activities which will carry out one of the three national objectives: (1) benefit to low and moderate income families; (2) aid in the prevention or elimination of slums or blight; or (3) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of the community and other financial resources are not available to meet such needs.

Title 24 CFR, part 291, effective April 1, 1999, provides the purpose of the Single Family Property Disposition program. The program's purpose is to reduce the inventory of acquired properties in a manner that expands home ownership opportunities, strengthens neighborhoods and communities, and ensures a maximum return to the mortgage insurance fund.

The City's use of CDBG funds failed to meet national objectives

Utilizing CDBG funds, the City of Chicago administers a program known as Hazardous Buildings Clearance, which is administered by the City's Buildings Department. The program provides for the inspection of abandoned, hazardous buildings to correct building code violations and demolition of hazardous buildings. For its 1998 program year, the City of Chicago had \$5,010,680 authorized for its Hazardous Clearance program. According to the 1998 Comprehensive Annual Performance Evaluation Report (CAPER), the City cleared 236 buildings, spending \$4,433,144 of the total authorized CDBG funds. For the 1999 program year, the City had \$1,026,243 authorized for its hazardous clearance activities. During 1999, the City spent the entire \$1,026,243 as well as the remaining \$577,535 from its 1998 budget.

We reviewed sections of the City's 1998 and 1999 CAPERs which identified the properties demolished under the Hazardous Clearance program. We compared those sections of the CAPER to a Single Family Acquired Asset Management System (SAMS) listing of HUD properties that had been sold. We identified 15 HUD REO properties that were demolished under the City's Hazardous Clearance program in 1998 and 1999 using CDBG funds. For 10 properties, or 67 percent, we further confirmed that the City received FHA payment for demolition liens and deposited the money into its CDBG account as program income. We did not confirm such activity for the remaining five properties because the documentation City officials provided did not include information for these properties.

Subsequent to demolition, the City placed liens on the properties for the demolition costs, which FHA generally paid to the City out of the mortgage insurance fund when it sold the vacant lots. The following table depicts property values prior to demolition, CDBG funds used to pay demolition costs, and FHA payments of demolition liens on the aforementioned 15 HUD properties

Properties the City of Chicago Used CDBG Funds to Demolish

FHA Case Number	Value of Property Before Demolition per SAMS Appraisal Screen	Amount of CDBG Funds Used to Demolish the Property	Amount of FHA Funds Used to Pay the Demolition Lien ³
131-268478	\$ 5,000.00	\$5,400.00	\$5,800.00
131-311760	\$50,000.00	\$5,200.00	\$7,108.00
131-323780	\$ 8,000.00	\$7,200.00	\$8,455.00
131-410241	\$40,000.00	\$9,000.00	\$11,025.00
131-511827	\$46,500.00	\$5,000.00	\$7,014.00
131-565190	\$15,000.00	\$5,099.00	\$7,113.00
131-616997	Unknown	\$7,100.00	0.00
131-631547	Unknown	\$5,621.00	\$8,198.00
131-648973	Unknown	\$6,900.00	0.00
131-666429	\$47,000.00	\$8,700.00	\$11,410.00
131-703823	Unknown	\$6,400.00	\$8798.00
131-744842	\$102,000.00	\$4,600.00	\$6,619.00
131-754747	\$45,000.00	\$7,900.00	\$9,925.00
131-791799	Unknown	\$5,700.00	\$8,649.00
131-806810	\$30,600.00	\$5,100.00	0.00
TOTALS	\$389,100.00	\$94,920.00	\$100,114.00

While HUD staff informed us of the possibility that the City of Chicago might have been using CDBG funds to demolish its properties, they took no formal action to determine if in fact this was the case. According to the former Chief of HUD Chicago's Production Branch, inquiry was made of the CPD officials, who said that it was possible but they did not know. No other action was taken by either HUD department.

We followed up on the matter and found that the City did use CDBG funds to demolish HUD-owned properties. City officials stated they used the CDBG funds in low to moderate income areas (LMA) to demolish homes found dangerous and hazardous to the community. However, we found that notices of code violations by the City did not cite any significant hazards that warranted demolition of the properties (see Finding 1). Additionally, our review of property values before demolition showed that at least 7 of

³ Lien amount includes CDBG funds used to demolish properties and other funds used for attorney fees.

the 15 properties had significant appraised values indicating these were not blighted properties. The seven properties had an average property value of \$51,586. Three properties had relatively low property values. Appraised values were not available on the remaining five properties because SAMS only reflected appraisal information after the demolition. We concluded the City of Chicago did not meet the slums/blight or the urgent need national objectives for the 15 HUD-owned properties it demolished using CDBG funds.

In its 1998 and 1999 Annual Plans, the City proposed using CDBG funds for its Hazardous Building Clearance program, which provides for the inspection of abandoned [emphasis added], hazardous buildings to correct building code violations and demolition of hazardous buildings. HUD-owned properties are not abandoned properties and would not meet the criteria specified in the Annual Plans for use of CDBG funds. HUD requires that its properties have HUD “For Sale” signs posted for purposes of identifying the property owner and the M&M contractor. HUD further charges its M&M contractors with protecting and preserving HUD properties to effect timely sales which result in the maximum return to the FHA mortgage insurance fund.

According to the City’s 1998 and 1999 annual performance reports, the demolitions benefited low and moderate income areas, pursuant to one of the program’s national objectives. The CDBG regulations identify demolition of buildings as an eligible activity and further state that such clearance activities may qualify as meeting a national objective of the CDBG program if the cleared property will be used for a purpose whose benefits are available to all the residents in a particular area, and at least 51 percent of those residents are low to moderate income persons. For example, the City could demolish a vacant structure to make a neighborhood park and playground serving a predominately low to moderate income residential neighborhood. However, the City did not meet this national objective because the City had no legal interest in the properties and no control over how the lots would be used.

Rather than further the objectives of HUD's CDBG program, HUD's Single Family REO Program was adversely affected. Because the City's demolition activity failed to meet one of the applicable tests for meeting a national objectives, it is in noncompliance with CDBG rules. Thus, the demolition activity is ineligible. Additionally, demolition of HUD single family REO properties resulted in a reduction of the affordable housing stock available to low and moderate income persons and reduced funds available in the mortgage insurance fund.

CPD comments

CPD agreed with our analysis of the City of Chicago's use of CDBG funds to demolish HUD owned properties. CPD stated that they will require the City of Chicago to give notice of any REO properties it plans demolishing using CDBG funds including the property address and the National Objective proposed to be met through the demolition; seek recovery of the \$94,920 of CDBG funds used to demolish the REO properties referenced in the audit; and request that the City of Chicago provide them a listing of all REO properties which have been demolished using CDBG funds, including the National Objective claimed, for the years 1995, 1996, 1997 and 2000 to determine any other CDBG funds to be returned.

OIG response

We concur with CPD's planned corrective actions.

Recommendations

We recommend

- 2A. FHA, in collaboration with CPD, should notify the City of Chicago that it is prohibited from demolishing HUD-owned properties using CDBG funds without the prior approval of HUD .

- 2B. FHA, in collaboration with CPD, should identify all other HUD-owned properties that have been demolished by the City of Chicago and determine the total amount of CDBG funds used to demolish the properties.
- 2C. FHA and CPD should seek recovery from the City of Chicago of the amount identified in Recommendation 2B, including the \$94,920 in CPD funds used to demolish the 15 HUD-owned properties we identified.

Management Controls

In planning and performing our audit, we considered the management controls of the HUD Single Family Division in order to determine our auditing procedures and not to provide assurance on the controls. Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

We determined the following management controls categories were relevant to our audit objectives:

- Management philosophy and operating style.
- Management monitoring methods.
- Safeguarding program assets.
- Measurement of program results.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objective. Weaknesses in the management controls identified by our audit are discussed in the findings.

(This Page Left Blank Intentionally)

Schedule of Unnecessary and Ineligible Costs and Cost Efficiencies

<u>Recommendations</u>	<u>Unnecessary Costs</u> ⁴	<u>Ineligible Costs</u> ⁵	<u>Cost Efficiencies</u> ⁶
1A	\$446,223 ⁷		\$883,017 ⁷
1A			\$151,454
2C		\$94,920	

⁴ Costs which are not generally recognized as ordinary, prudent, relevant, and/or necessary within established practices.

⁵ Costs not allowed by law, regulation, contract, grant agreement, HUD policy, or other document governing the expenditure of funds.

⁶ The prevention or avoidance of improper or unnecessary costs by management action. Cost efficiencies pertain to future events.

⁷ Unnecessary costs and cost efficiencies related to property losses and demolition liens were estimated in a range.

The low end of the range is recorded above and in the audit tracking system.

(This Page Left Blank Intentionally)

Losses on Demolished Properties

FHA CASE NUMBER	APPRAISED VALUE OF THE PROPERTY PRIOR TO DEMOLITION	DEMOLITION LIEN AMOUNT	SALES PRICE OF VACANT LOT	NET LOSS
Losses From the Sale of 21 Vacant Lots After Demolition by the City of Chicago (See Finding 1)				
131-349564	Unknown	\$10,750	\$ 2,500	\$ 8,250
131-366366	\$ 19,000	10,725	1,000	28,725
131-448991	Unknown	7,886	900	6,986
131-471252	26,000	7,021	1,000	32,021
131-514882	Unknown	8,064	1,475	6,589
131-559655	Unknown	8,939	5,100	3,839
131-606550	7,500	27,150	2,600	32,050
131-610325	30,000	7,973	1,166	36,807
131-625481	Unknown	10,000	4,017	5,983
131-627065	Unknown	7,639	550	7,089
131-631547	Unknown	8,198	5,200	2,998
131-634138	25,000	7,070	550	31,520
131-666429	47,000	11,410	3,000	55,410
131-767229	55,350	10,615	7,100	58,865
131-779915	Unknown	5,767	1,375	4,392
131-796163	36,000	7,368	2,000	41,368
131-799097	Unknown	9,613	6,580	3,033
131-802075	40,000	17,780	900	56,880
131-808240	30,000	7,058	800	36,258
131-828545	Unknown	10,461	19,325	(8,864)
131-862946	Unknown	8,191	7,500	691
Subtotals	\$315,850.00	\$209,678.00	\$74,638.00	\$450,890.00
Losses from Nine Other Properties With Identifiable Appraised Values (See Finding 2)				
131-268478	\$ 5,000	\$5,800	800	10,000
131-311760	50,000	7,108	2,225	54,883
131-323780	8,000	8,455	1,700	14,755
131-410241	40,000	11,025	6,800	44,225
131-511827	46,500	7,014	450	53,064
131-565190	15,000	7,113	688	21,425
131-744842	102,000	6,619	53,500	55,119
131-754747	45,000	9,925	688	54,237
131-806810	30,600	0	14,000	16,600
Subtotals	\$342,100.00	\$63,059.00	80,851.00	324,308.00
TOTALS	\$657,950.00	\$272,737.00	\$155,489.00	\$775,198.00

Minimum Estimated Losses (Using 50 percent of Appraised Values):

Losses on Demolished Properties

Total Appraised Values	\$657,950
Estimated Return as Percentage of Appraised Value	.50
Estimated Loss of Appraised Value	\$328,975
Total Demolition Liens Paid	<u>\$272,737</u>
Total Estimated Loss (Appraised Values and Demo Liens)	\$601,712
Total Sales Price	<u>\$155,489</u>
Total Net Loss	<u>\$446,223</u>

Estimated Average Number of Properties Demolished Annually	41
Estimated Average Loss Per Property	<u>\$ 21,537</u>
Total Minimum Estimated Annual Loss	<u>\$883,017</u>

Minimum Estimated Losses (Using 50 percent of Appraised Values):

Total Appraised Values	\$657,950
Estimated Return as Percentage of Appraised Value	.50
Estimated Loss of Appraised Value	\$328,975
Total Demolition Liens Paid	<u>\$272,737</u>
Total Estimated Loss (Appraised Values and Demo Liens)	\$601,712
Total Sales Price	<u>\$155,489</u>
Total Net Loss	<u>\$446,223</u>

Estimated Average Number of Properties Demolished Annually	41
Estimated Average Loss Per Property	<u>\$ 21,537</u>
Total Minimum Estimated Annual Loss	<u>\$883,017</u>

Examples of Properties Targeted for Demolition

Examples of Properties Targeted for Demolition



Front of Property Found Boarded Up and Secure
955 N. Lockwood Chicago, IL



Rear of Property Found Boarded Up and Secure
955 N. Lockwood Chicago, IL

Examples of Properties Targeted for Demolition



Front of Property Found Boarded Up and Secure
228 N. Menard Avenue Chicago, IL



Rear of Property Found Boarded Up and Secure
228 N. Menard Avenue Chicago, IL



Front of Property Found Boarded Up and Secure
8142 Manistee Avenue Chicago, IL



Rear of Property Found Boarded Up and Secure
8142 Manistee Avenue Chicago, IL



Property Found to be Secured
3619 S. Francisco Chicago, IL



Property Found to be Secured
6115 Artesian Avenue Chicago, IL



Property Found to be Secured
3542 W. 76th Place Chicago, IL

(This Page Left Blank Intentionally)

HUD Comments

HUD Comments

HUD Comments

(This Page Left Blank Intentionally)

Distribution

Assistant Secretary for Housing/Federal Housing Commissioner, H (Room 9100)
 Director, Office of Community Planning and Development, 4AD
 Deputy Secretary, SD (Room 10100)
 Chief of Staff, S (Room 10000)
 Special Assistant to the Deputy Secretary for Project Management, SD (Room 10100)
 Acting Assistant Secretary for Administration, S (Room 10110)
 Assistant Secretary for Congressional and Intergovernmental Relations, J (Room 10120)
 Senior Advisor to the Secretary, Office of Public Affairs, S, (Room 10132)
 Deputy Assistant Secretary of Administrative Services/Director of Executive Secretariat, AX
 (Room 10139)
 Director of Scheduling and Advance, AL (Room 10158)
 Counselor to the Secretary, S (Room 10234)
 Deputy Chief of Staff, S (Room 10226)
 Deputy Chief of Staff for Operations, S (Room 10226)
 Deputy Chief of Staff for Programs and Policy, S (Room 10226)
 Director, Office of Special Actions, AK (Room 10226)
 Deputy Assistant Secretary for Public Affairs, W (Room 10222)
 Special Assistant for Inter-Faith Community Outreach, S (Room 10222)
 Executive Officer for Administrative Operations and Management, S (Room 10220)
 Senior Advisor to the Secretary for Pine Ridge Project, W, (Room 10216)
 General Counsel, C (Room 10214)
 Director, Office of Federal Housing Enterprise Oversight, O (9th Floor Mailroom)
 Office of Policy Development and Research, R (Room 8100)
 Inspector General, G (Room 8256)
 Assistant Secretary for Community Planning and Development, D (Room 7100)
 Assistant Deputy Secretary for Field Policy and Management, SDF (Room 7108)
 Government National Mortgage Association, T (Room 6100)
 Assistant Secretary for Fair Housing and Equal Opportunity, E (Room 5100)
 Chief Procurement Officer, N (Room 5184)
 Assistant Secretary for Public and Indian Housing, P (Room 4100)
 Chief Information Officer, Q (Room 3152)
 Director, Office of Departmental Equal Employment Opportunity, U (Room 5128)
 Director, Office of Departmental Operations and Coordination, I (Room 2124)
 Chief Financial Officer, F (Room 2202)
 Director, HUD Enforcement Center, X, 1250 Maryland Avenue, SW, Suite 200
 Director, Real Estate Assessment Center, X, 1280 Maryland Avenue, SW, Suite 800
 Director, Office of Multifamily Assistance Restructuring, Y, 1280 Maryland Avenue, SW, Suite
 4000
 Deputy Chief Financial Officer for Finance, FF (Room 2202) (2)
 Director, Office of Budget, FO (Room 3270)

Distribution

Secretary's Representative, 1AS
Secretary's Representative, 2AS
Secretary's Representative, 3AS
Secretary's Representative, 4AS
Secretary's Representative, 5AS
Secretary's Representative, 6AS
Secretary's Representative, 7AS
Secretary's Representative, 8AS
Secretary's Representative, 9AS
Secretary's Representative, 10AS
Director, Homeownership Center, 3AHH
Director, Homeownership Center, 4AHH
Director, Homeownership Center, 8AHH
Director, Homeownership Center, 9JHH
Audit Liaison Officer, 3AFI
Audit Liaison Officer, Office of Public and Indian Housing, PF (Room P8202)
Departmental Audit Liaison Officer, FM (Room 2206)
Acquisitions Librarian, Library, AS (Room 8141)
Counsel to the IG, GC (Room 8260)
HUD OIG Webmanager-Electronic Format Via Notes Mail (Cliff Jones@hud.gov)
Public Affairs Officer, G (Room 8256)
Director, Housing and Community Development Issue Area, U.S. GAO, 441 G Street N.W.,
Room 2474, Washington DC 20548 ATTN: Judy England-Joseph
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs,
United States Senate, Washington DC 20510-6250
The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs,
United States Senate, Washington DC 20510-6250
The Honorable Dan Burton, Chairman, Committee on Government Reform,
United States House of Representatives, Washington DC 20515-6143
The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform,
United States House of Representatives, Washington, DC 20515-4305
Ms. Cindy Fogleman, Subcommittee on Oversight and Investigations, Room 212,
O'Neil House Office Building, Washington, DC 20515-6143
Steve Redburn, Chief, Housing Branch, Office of Management and Budget, 725 17th Street, NW,
Room 9226, New Executive Office Bldg., Washington, DC 20503
Sharon Pinkerton, Deputy Staff Director, Counsel, Subcommittee on Criminal Justice, Drug
Policy and Human Resources, B373 Rayburn House Office Bldg., Washington, DC 20515

Distribution

District Inspector General for Audit, District I, New England
District Inspector General for Audit, District II, New York/New Jersey
District Inspector General for Audit, District III, Mid-Atlantic
District Inspector General for Audit, District V, Midwest
District Inspector General for Audit, District VI, Southwest
District Inspector General for Audit, District VII, Great Plains
District Inspector General for Audit, District VIII, Rocky Mountain
District Inspector General for Audit, District IX, Pacific/Hawaii
District Inspector General for Audit, District X, Northwest/Alaska

